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C O N F I D E N T I A L QUITO 001680

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TAGS: [PGOV](#) [PREL](#) [EC](#)
SUBJECT: PRESIDENTIAL SECRETARY STEPS DOWN

REF: QUITO 1669

Classified By: PolOff Jarahn Hillsman, Reasons 1.4 (b&d)

¶1. (C) Summary: Presidential Secretary Jose Modesto Apolo resigned on July 10. Apolo, who was viewed by many as the power behind the power, said that his image had suffered considerably from "unfounded allegations" launched by ex-Minister of Economy Diego Borja. Apolo claimed to be concerned that his continued service might further damage the Palacio Administration and sully his own reputation. Palacio accepted Apolo's resignation on July 10 and promptly replaced him with Rafael Parreno. Apolo's departure is likely aimed at redirecting criticism leveled by Borja over the weekend, and averting further charges of corruption from dogging the administration. End Summary.

Public Dispute Leads to Resignation

¶2. (U) The Palacio Administration cabinet shakeup continued on July 10 with the surprise resignation of Presidential Secretary and Chief of Staff Jose Modesto Apolo. Apolo's

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resignation comes after a weekend-long public clash with ex-Minister of Economy Diego Borja. Borja accused Apolo of controlling the presidency, and said that Apolo was the real manager of the energy and economy ministries, had proposed an irresponsibly broad tariff liberalization (reftel), and was also the primary author of the Hydrocarbons Law. Borja also insinuated that his replacement as Minister of Economy, Armando Rodas, was a close associate of Apolo's and was placed there deliberately so that Apolo would have a closer grip on government funds.

¶3. (U) Dismissing Borja's allegations, Apolo downplayed his personal relationship with Rodas and said that Borja was ineffective as Minister of Economy and had damaged the Administration's credibility. Apolo said that his continued service might further damage Palacio's presidency and ruin his own name. Palacio accepted Apolo's resignation and named Rafael Parreno Presidential Secretary on July 10.

Additional Changes

¶4. (SBU) Minister of Government Felipe Vega stated publicly on July 10 that he would also resign. Vega told the press on July 7 that some wanted him removed for trying to address narcotrafficking, organized crime, and police corruption. Insiders claim the real issue was that Vega had become a liability after public charges that he was demanding

kickbacks from the Guayaquil police chief, who recently quit. Palacio has not yet named a successor.

¶5. (U) Presidential Secretary of Communication Enrique Proano on July 10 also announced a number of undersecretary level changes. Diego Regalado was named Undersecretary of Public Administration as replacement for Armando Rodas who was promoted to Minister of Economy; Guillermo Granja was named Undersecretary of Energy, replacing Roberto Serrano; Kleber Ollague was named National Undersecretary of Tropical Medicine, replacing Arcesio Varas; and Victor Hernandez was named President of the Corporation of National Finance, replacing Galo Montana. Proano said that Palacio would finalize all cabinet changes by 7pm on July 11.

Biographical Information: Parreno

¶6. (U) Rafael Parreno, a figure with no public profile and little-known even within the political class, received his Law degree from the Central University of Ecuador, his postgraduate degree at the University of San Francisco, Quito in 1998, and completed his undergraduate studies in 1981 at the National Institute of Higher Learning. He was named Secretary General of SENATEL, the National Telecommunications

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Secretariat, in 2005. He also worked as President of the

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Consultancy Committee; Secretary General of the Vice President of the Republic (2003); delegate of the Vice President to the Directory of the Consultancy Committee (2003); Coordinator and advisor of the National Child and Family Institute (INNFA); Administrative Undersecretary of the Ministry of Tourism (1998); and Parliamentary Advisor (1992).

Comment

¶7. (C) Apolo's surprising departure is likely aimed at redirecting criticism leveled by Borja over the weekend. Rumors today are that Borja was planning to go public with a retaliatory set of corruption charges against Apolo. Apolo will likely maintain considerable sway over Rodas and other players within the Palacio Administration.

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